

Intro to Tariff Classifications

Presented by Frontier Supply Chain Inc.

WHAT IS A TARIFF?

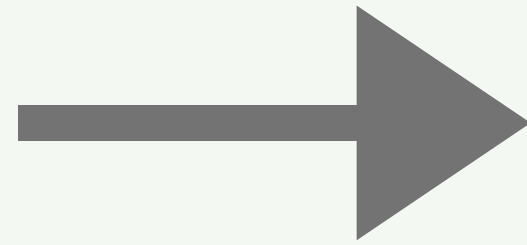
DEFINITION



A TARIFF IS A TAX THAT IS
IMPOSED ON IMPORTS/EXPORTS
FROM ONE COUNTRY TO
ANOTHER.



(Exports Lumber)



Country A exports Lumber' to Country B



(Has a 10% Tariff on Lumber)

EXAMPLE OF A TARIFF

LUMBER
EXAMPLE

IN ORDER FOR COUNTRY **A** TO SELL ITS LUMBER IN COUNTRY **B**'S MARKET, AN ADDITIONAL '10%' TARIFF IS ADDED ONTO THE SELLING PRICE FOR CONSUMERS IN COUNTRY **B**.



1: TO PROTECT LOCAL INDUSTRIES FROM FOREIGN COMPETITION

- Both countries produce lumber
- Country A produces lumber more efficiently and can sell the product at a cheaper price
- A Tariff helps disincentivize consumers from buying the "cheaper" product



2. TO INCREASE LOCAL REVENUE

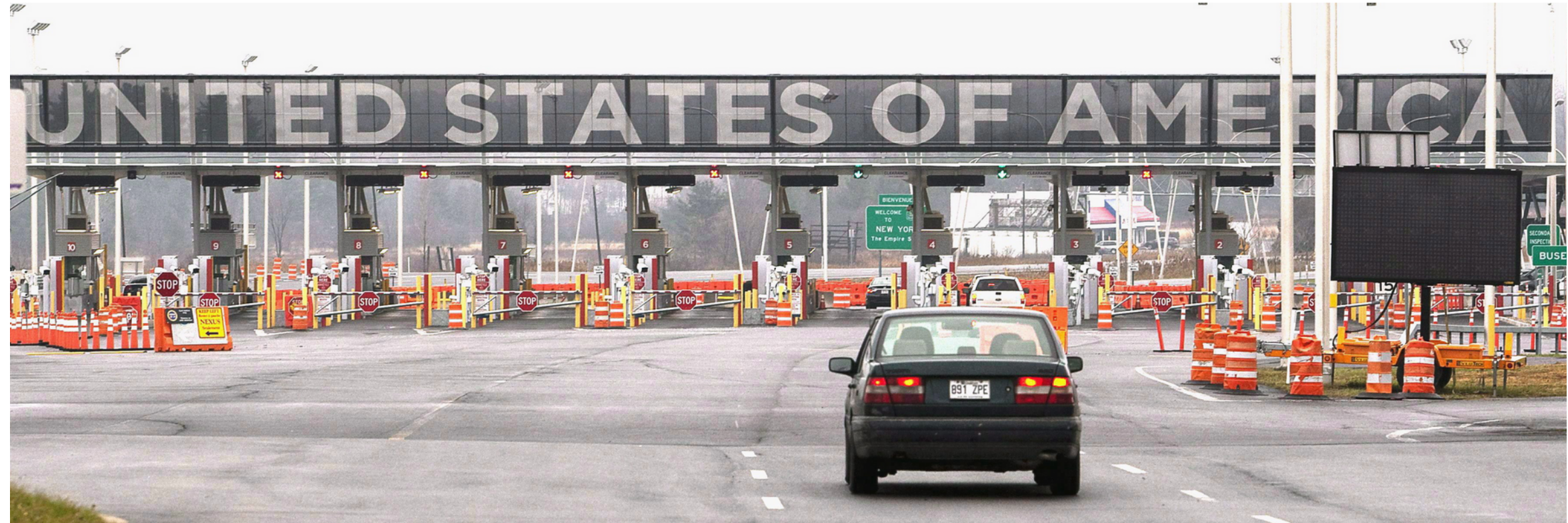
- Both countries may or may not produce Lumber
- Country B Knows there's a market for Lumber in Country A, so wants to sell in A's Market
- Country A sees an opportunity to make extra money on importing Lumber

WHY DO COUNTRIES CHARGE TARIFFS?

LUMBER
EXAMPLE
CONTINUED

WHAT IS TARIFF CLASSIFICATION?

THE SYSTEM
USED TO
CLASSIFY AN
ARTICLE



TARIFF CLASSIFICATION

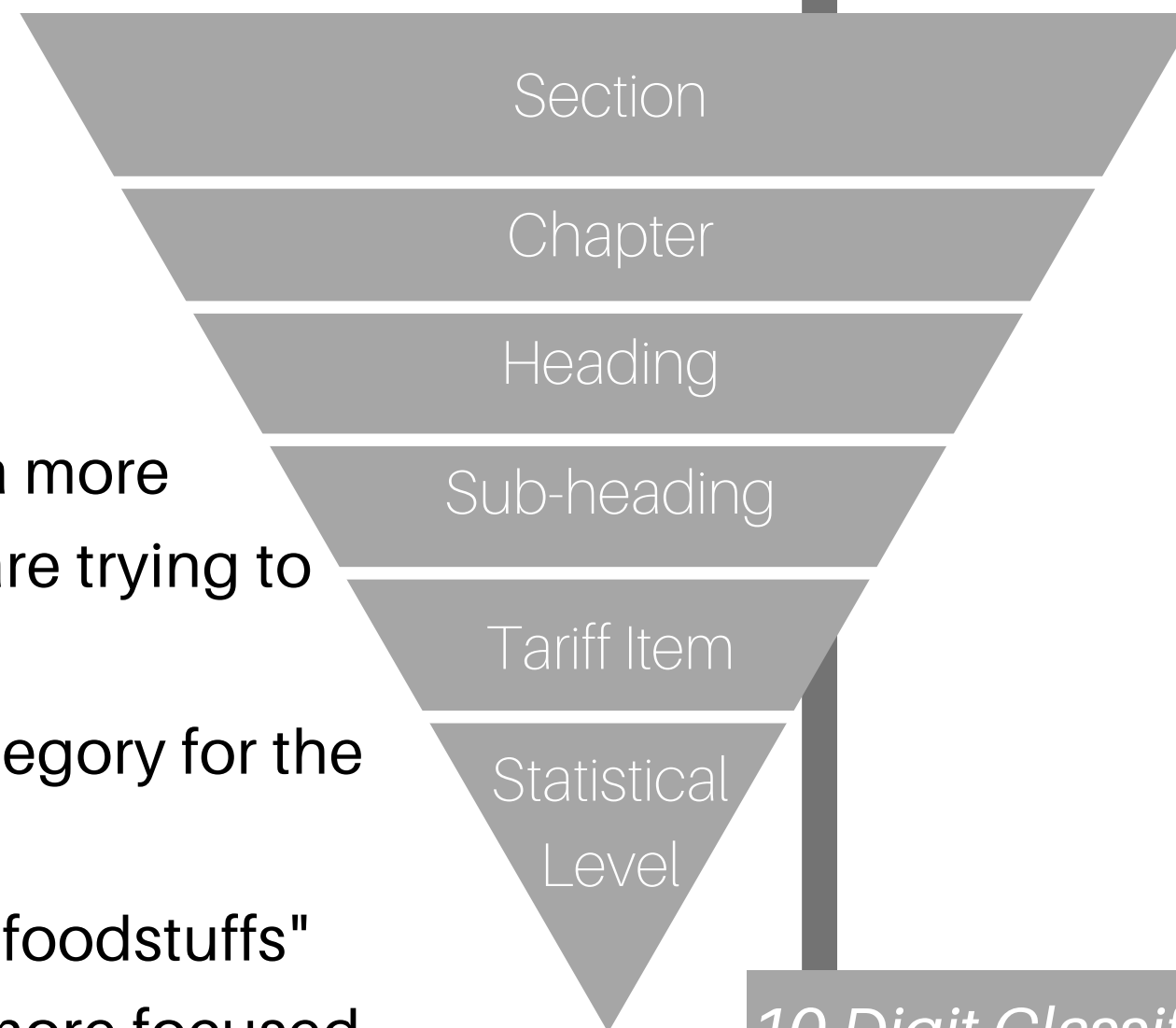
The process of determining the proper 10 digit code for importing and exporting goods to determine the associated cost added on to the good at the border.

H.S. : HARMONIZED SYSTEM

The internationally recognized system used. It consists of a 10 digit code which helps identify each good.

STRUCTURE OF A TARIFF:

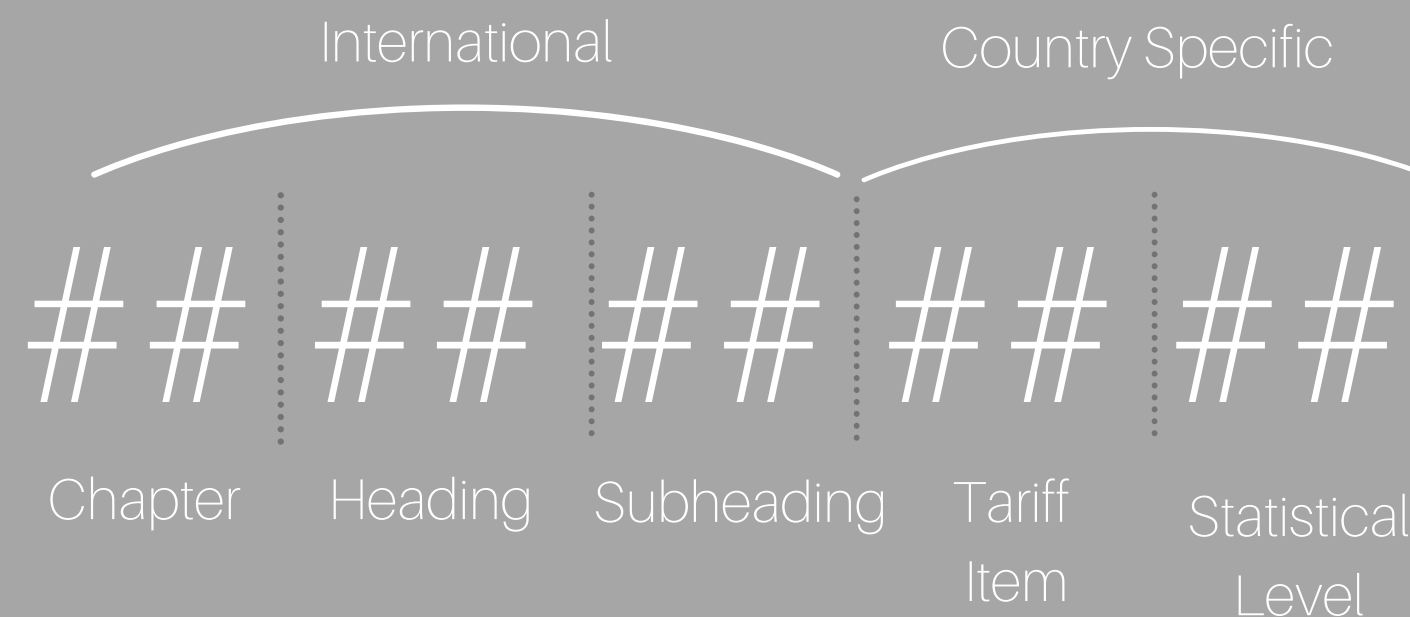
- Each preceding level represents a more specific aspect of the article you are trying to classify
- **The section** is the most broad category for the item
 - EX. "live animals" & "prepared foodstuffs"
- **A chapter** sorts the article into a more focused category
 - EX. "meat & edible meat: or "Beverages, Sprints and vinegars"
- Each preceding level continues to bring more focus to the article



STRUCTURE OF THE TARIFF

OVERALL BREAKDOWN

10 Digit Classification Code (H.S)



10 Digit Classification Code (H.S)

International

Country Specific

##

##

##

##

##

Chapter

Heading

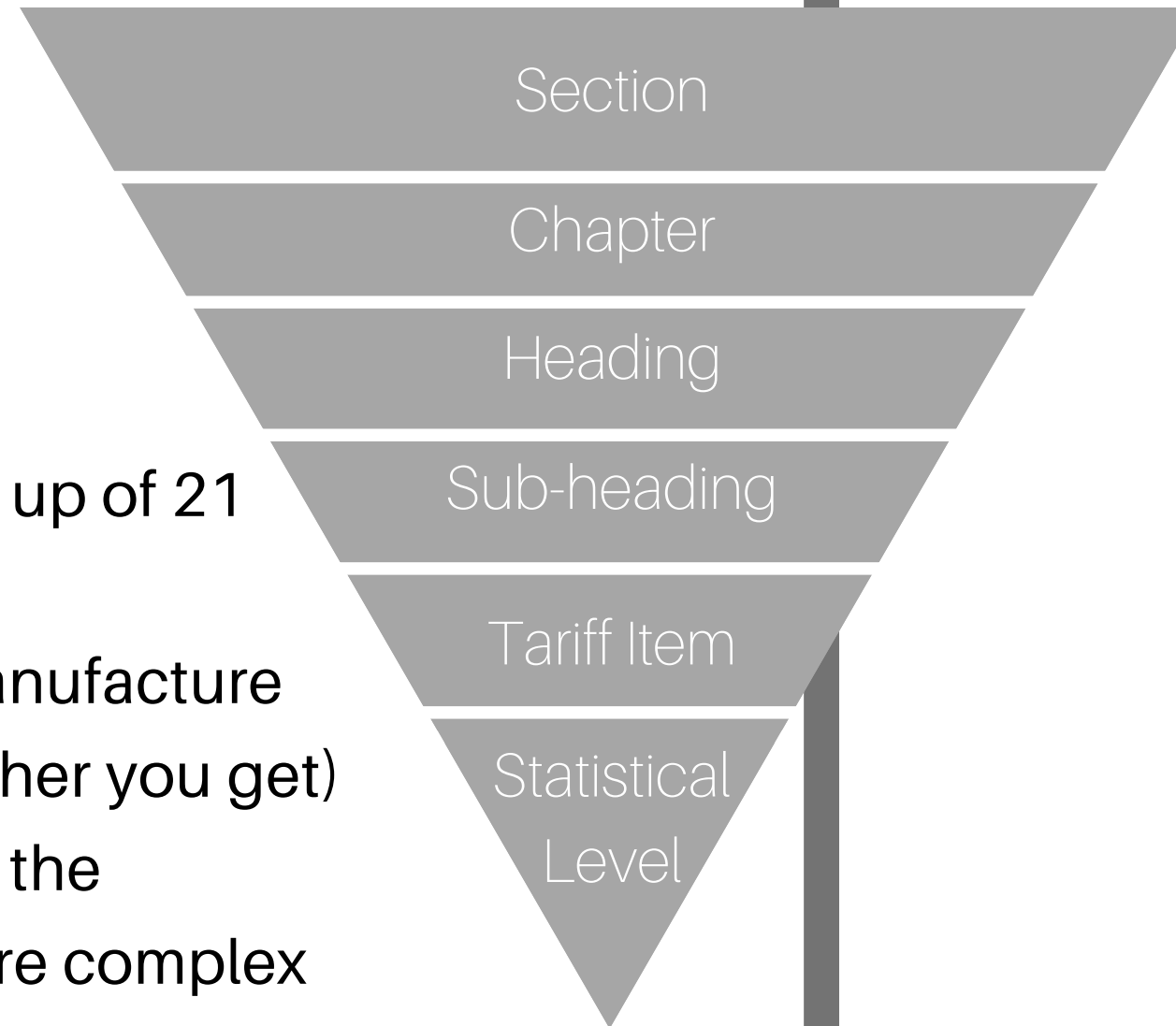
Subheading

Tariff Item

Statistical Level

SECTIONS:

- The classification system is made up of 21 sections
- arranged in order of degree of manufacture (becoming more complex, the higher you get)
- Primary commodities are found in the beginning, with technical and more complex commodities near the end
 - EX) Early sections start with live animals & animal products & later sections contain works of art, collectors' pieces & antiques



STRUCTURE OF THE TARIFF

OVERALL
BREAKDOWN:
SECTIONS

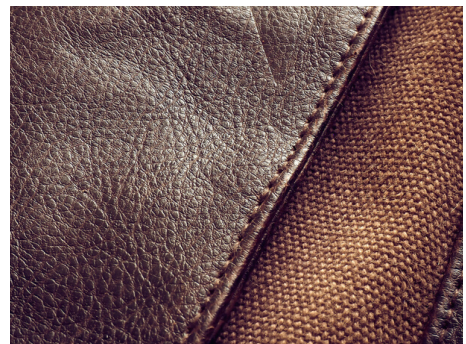
SECTION BREAKDOWN EXAMPLE

In this example you can see, the more complex or "manufactured" the article becomes, the higher the section it gets assigned to.



SECTION 1 (I): LIVE ANIMALS

The cow is very basic



SECTION 8 (VIII): RAW HIDES AND SKINS, LEATHER...

Leather is more complex than a cow



SECTION 12 (XII): FOOTWEAR, HEADGEAR, UMBRELLA...

leather boots go through more stages of production

STRUCTURE OF THE TARIFF

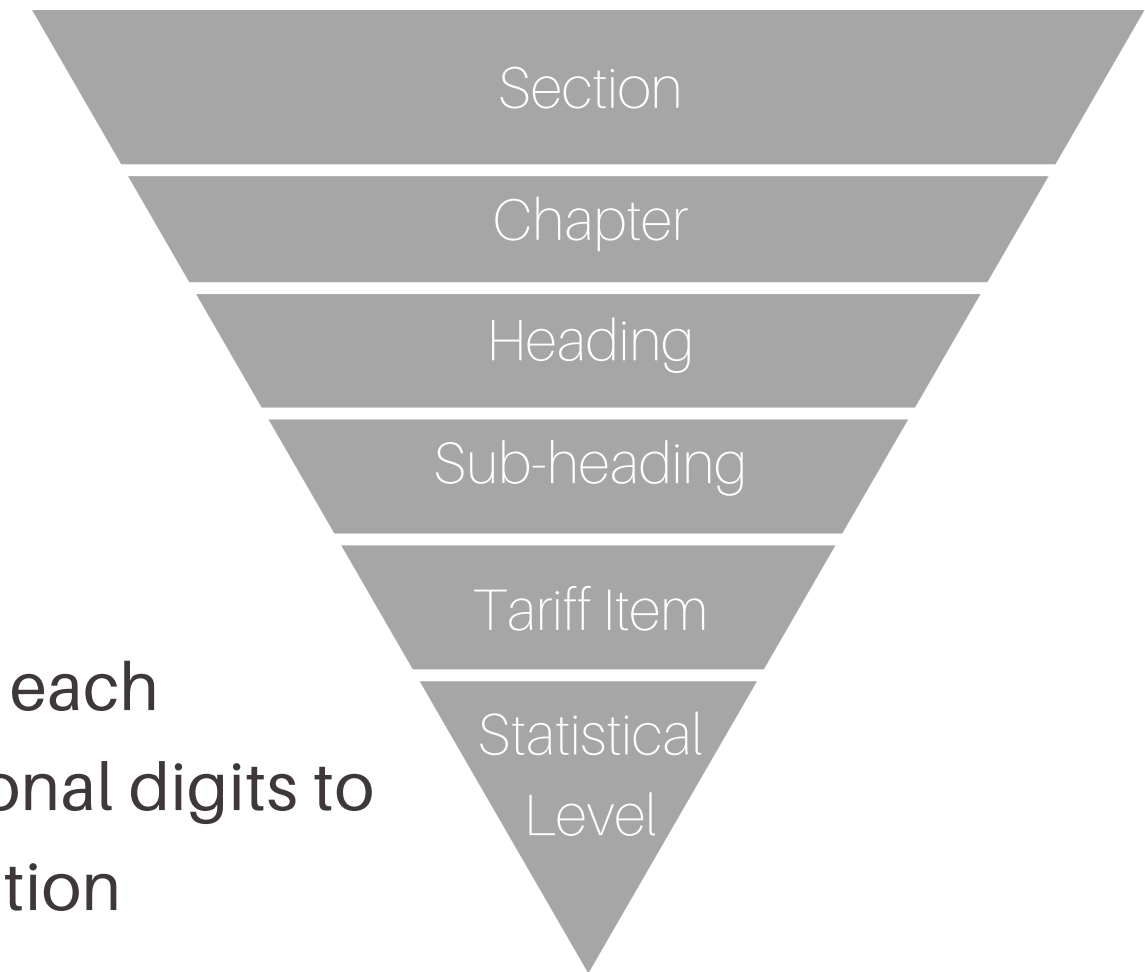
EXAMPLE OF H.S
STRUCTURE &
SECTION
COMPLEXITY

USING THE H.S CODE

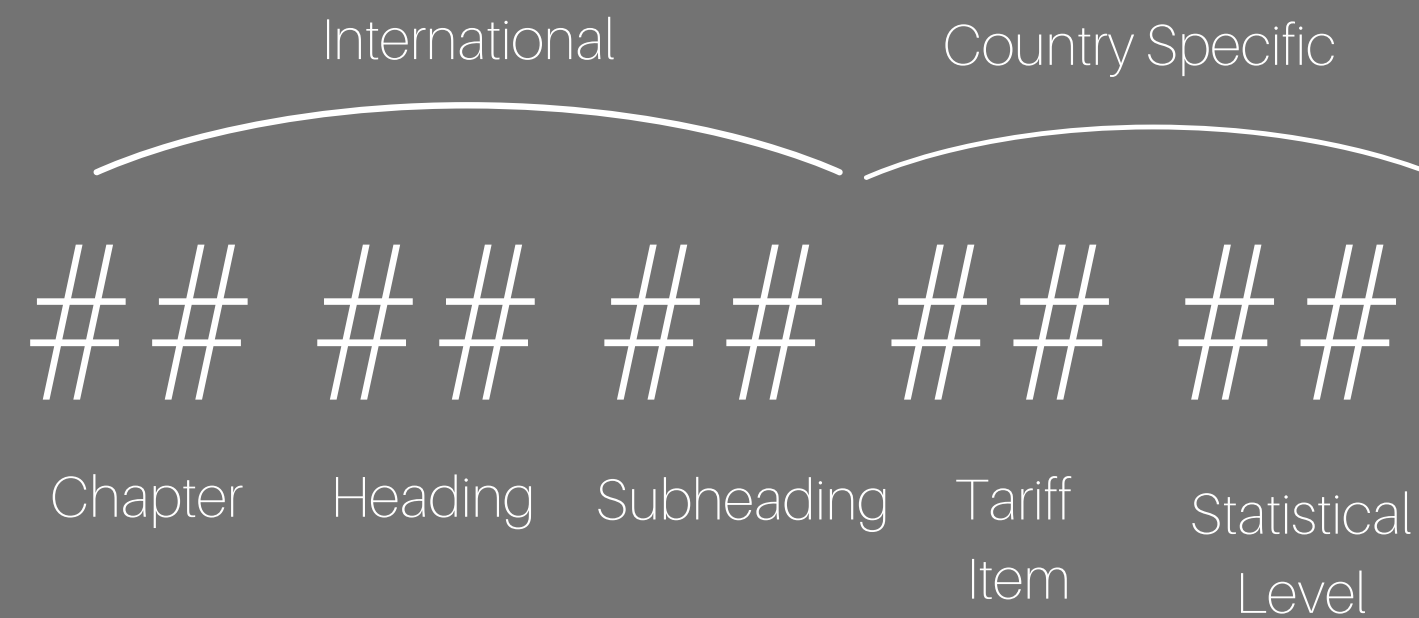
CLASSIFYING AN ARTICLE

EACH LEVEL MAKES UP TWO DIGITS OF THE 10 DIGIT H.S CODE

After the article is sorted into a section, each preceding level will contain two additional digits to focus the article further into a classification



10 Digit Classification Code (H.S)



EXAMPLE USING THE H.S CODE CLASSIFYING AN ARTICLE

GENERAL STEPS TO FINDING THE RIGHT CLASSIFICATION:

1. Find what section the item best fits under
2. Read through the section to find what the corresponding chapter would be
3. Go to that chapter in the "Custom Tariff by Chapter" PDF document
4. try and find the most fitting description of the item

EXAMPLE USING THE H.S CODE

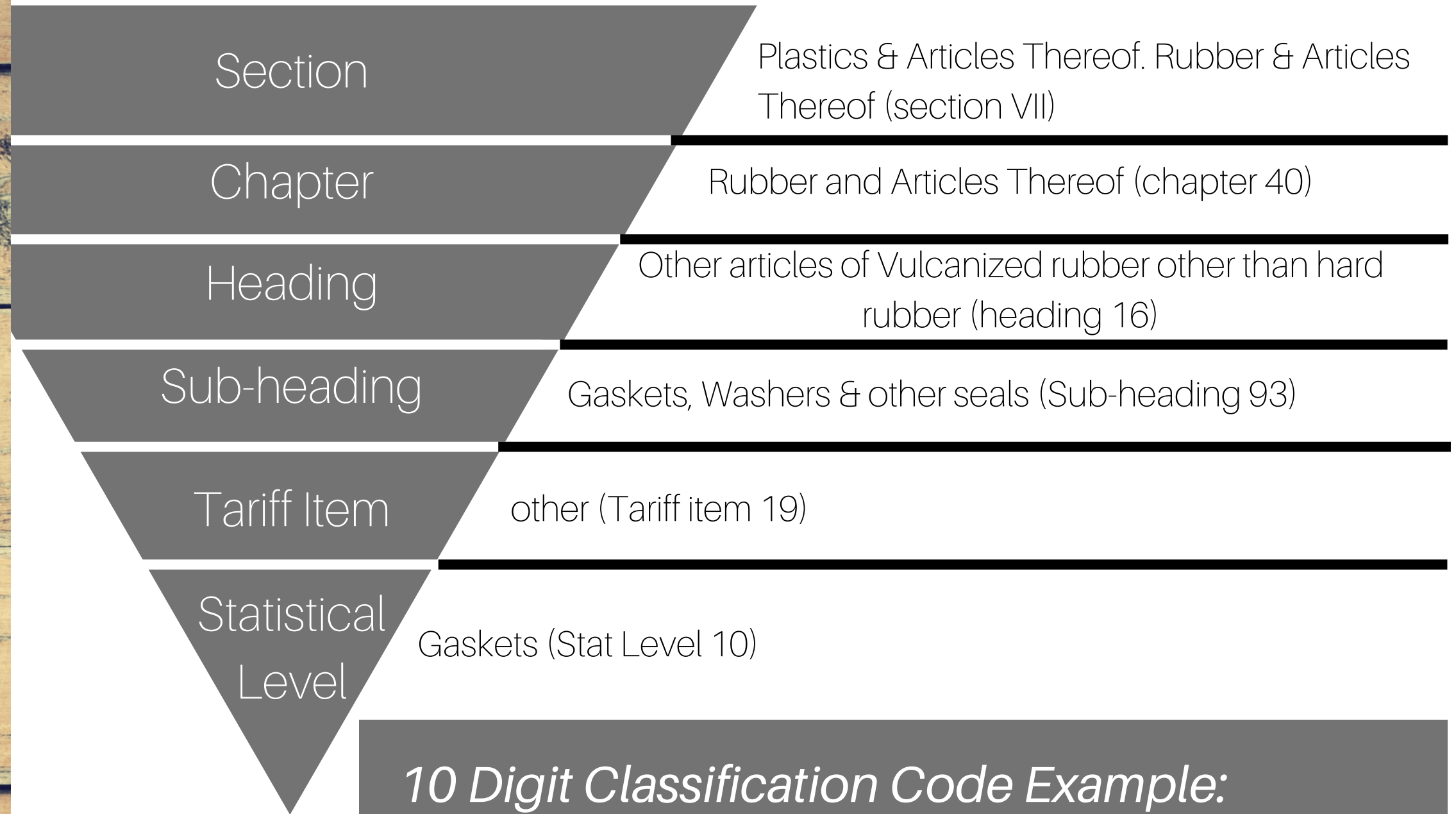
CLASSIFYING AN ARTICLE WITH FRONTIER

FRONTIER SPECIFIC STEPS TO FINDING THE RIGHT CLASSIFICATION:

1. Frontier uses a program called Visual Importer
2. Open this up for your client's product
3. In Visual Importer you will be given a description of the product and an HS Code
4. Copy the first 4 digits of the HS Code, and search it in the "Custom Tariff by Chapter" PDF document
5. When you find the product, look up the description from Visual Importer in Google and make sure it matches the description from the PDF

EXAMPLE USING THE H.S CODE

CLASSIFYING A RUBBER GASKET



*10 Digit Classification Code Example:
A Rubber Gasket*

40 | 16 | 93 | 19 | 10
Chapter | Heading | Subheading | Tariff Item | Statistical Level



PROBLEM TO TRY:

FIND THE RIGHT H.S CODE FOR A
"COTTON BEDDING SET"

once done, check the next slide for the answer



ANSWER:

6302320020

TERMS & DEFINITIONS

SOME COMMON
TERMS FOR
REFERENCE

H.S. : HARMONIZED SYSTEM

THE CODE USED TO CLASSIFY EACH GOOD (UP TO 10 DIGITS)

CCC: CUSTOMS COOPERATION COUNCIL

WCO: WORLD CUSTOMS ORGANIZATION

A CODE FOR INTERNATIONAL TRADE, WHICH SIMPLIFIES IMPORTED/EXPORTED GOODS (WCO IS THE NEW RECOGNIZED TERM)

AMPS: ADMINISTRATIVE MONETARY PENALTY SYSTEM

PENALTIES ISSUED BY CBSA

CBSA- CANADIAN BORDER SERVICES AGENCY

FEDERAL LAW ENFORCEMENT RESPONSIBLE FOR BORDER CONTROL IN CANADA

DUTY:

A PAYMENT LEVIED ON THE IMPORT/EXPORT/MANUFACTURE/ OR SALE OF GOODS